Information About Tennessee Dairy Business Innovation Initiatives Subaward Application

Eligibility

The following conditions MUST be met to be eligible to apply for funding through the Dairy Business Innovation Initiatives program. Initiatives must meet the following three goals:
- Diversify dairy product markets to reduce risk and develop higher value uses for dairy products;
- Promote business development that diversifies farmer income through processing and marketing innovation; and
- Encourage the use of regional milk production.

Subawards will only be made to prospective or current dairy businesses. Reference the definitions and terms for explanations of dairy businesses.

Key Contacts

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Background Information

The U.S. Department of Agriculture has selected University of Tennessee Extension to provide one of three national Dairy Business Innovation Initiatives. Our program has been granted funds to provide educational programming and subawards (direct-to-business grants). Applicants can apply for a maximum of $25,000 per application through this grant. Rolling application enrollment will begin December 15, 2020 with monthly reviews until funds are exhausted. The Tennessee Department of Agriculture has agreed to administer this phase of the subaward program.

The Dairy Business Innovation Initiatives (DBII) program is funded through the U.S. Department of Agriculture, Agricultural Marketing Service. The DBII program was developed to assist regional efforts to support dairy businesses in the development, production, marketing and distribution of dairy products. These initiatives serve to:
- Diversify dairy product markets to reduce risk and develop higher value uses for dairy products;
- Promote business development that diversifies farmer income through processing and marketing innovation; and
- Encourage the use of regional milk production.

Applications may be submitted by prospective or current dairy businesses provided the dairy business diversifies dairy product markets to reduce risk and develop higher value uses for dairy products, promotes business development that diversifies farmer income through processing and marketing innovation, and encourages the use of regional milk production.

Subaward applications for prospective or current dairy businesses provided by the Dairy Business Innovation Initiatives program must focus on one or more of the following areas:
- Modernization, specialization and grazing transition on dairy farms;
- Value chain and commodity innovation and facility and process updates for dairy processors; and
- Dairy product development, packaging and marketing.

This is a reimbursement program and applicants must receive prior written approval of their project before incurring any expense. Appropriate documentation (including copies of paid receipts) of each expense must be provided when requesting reimbursement. Applications will be reviewed 60 days after the Request for Applications is announced and monthly thereafter until funds are exhausted. Dairy businesses are encouraged to submit applications as soon as possible since funding is limited.

Definitions

Dairy businesses are businesses that develop, produce, market, or distribute dairy products.

Dairy plants are any location where milk, cream, dairy products, or trade products are received for the purpose of manufacturing, processing, or packaging (T.C.A. 53-3-106).

Dairy products must be derived from the milk of hooved mammals including, but not limited to: cattle, water buffalo, sheep, goats, yaks, llamas, alpacas, camels, deer, reindeer, moose, horses, donkeys, etc. (Pasteurized Milk Ordinance, 2017 revision). Dairy products are products manufactured for use by humans which are derived from the processing of milk and include fluid milk products. Products may include but are not limited to butter, cheese (whether natural or processed), skim milk, cream, whey or buttermilk (whether dry, evaporated, stabilized or condensed) and frozen desserts.

Milk producers are any persons who operate a dairy farm and provide, sell, or offer milk for sale to a milk products plant, receiving station, or transfer station (0080-03-02-.01(38)).

Permitted dairy farms are any place or premises where one or more cows or goats are kept, and from which a part or all of the milk or milk product(s) are provided, sold, or offered for sale to a milk products plant, or receiving station (0080-03-.01(41)). The Pasteurized Milk Ordinance expands this definition to include sheep or other lactating animals.

Projects are what you plan to accomplish or achieve as a result of receiving the subaward. For example, your project may include training, developing a feasibility study or food safety plan and/or purchasing dairy processing equipment.

Frequently Asked Questions

Who is eligible for this grant?

Applicants must meet all of the following criteria: (1) operates or endeavors to operate a dairy farm or dairy plant in Tennessee, (2) has a project that meets the following goals: (2a) diversifies dairy product markets to reduce risk and develop higher value uses for dairy products, (2b) promotes business development that diversifies farmer income through processing and marketing innovation, (2c) encourages the use of regional milk production; and (3) has no immediate family members, i.e. parents, siblings, spouse, or children, working for the Tennessee Department of Agriculture or the Center for Profitable Agriculture, or serving on the subaward review committee.

What projects are fundable?

Dairy businesses may apply for funding to modernize, specialize and/or to transition to grazing on their farms. This can include funding to improve or add value chain and commodity innovation and/or facility and process updates for dairy processors and to improve or add dairy product development, packaging and marketing. Some examples of how funds may be used include hiring an independent consultant to develop planning documents for the dairy business such as a feasibility study, business plan or marketing plan that will be useful in determining the likelihood of success or to develop a food safety plan. Funds may also be used to attend training to acquire skills needed to develop or market dairy products (for example, Western Kentucky University's cheese-making short course or Ohio State's Dairy 101: Introduction to Dairy Processing and Management short course. Funds for training may include registration fees, transportation (the lower of business class airfare or mileage at the IRS standard mileage rate) and lodging (at current rates in the continental United States "CONUS Rates"). Funds may be used to purchase dairy processing equipment such as pasteurizers, cheese presses and labelers. Funds may also be used to get product development help and services in recipe development, sensory evaluation, packaging considerations or shelf-life studies from sources such as the University of Kentucky's Food Systems Innovation Center.

What would count as a new process for my operation?

New processes might include adding alternative sizes of products, or adding additional product types to the line of products you currently sell. Adding a separator or in-line pasteurizer to your facility, or HTST or UHT instead of vat pasteurization would also count.

What projects are eligible?

Eligible projects involve: (a) modernization, specialization, and grazing transitions on dairy farms, (b) value chain and commodity innovation and facility and process updates for dairy processors, or (c) dairy product development, packaging, and marketing.

What projects are ineligible?

Projects that are ineligible involve: (a) real estate purchases, (b) repayment of loans or mortgages, (c) rent or contract payments for time periods extending beyond the 12-month period allowed for eligible projects, (d) legal fees, or (e) lobbying, fundraising, or other political activities.

How do I access the application?

The Dairy Business Innovation Initiatives Subaward Application may be found at Tennessee Department of Agriculture's website at https://www.tn.gov/agriculture/businesses/business-development/dbi.html or it may be requested directly from Kyle Hensley at kyle.hensley@tn.gov or at (615) 767-9758.

What is the time table for this?

The project outlined in the application must be completed within 12 months of approval. Recipients of subawards agree to provide a progress report 12 months after the project is completed, and a final report by August 31, 2022. The reports should include information about outcomes of feasibility studies, market analyses, business plans, increases in sales and markets reached, new products or processes developed and jobs obtained or created as a result of the project. Those applicants with a current dairy processing or marketing business will be asked to provide a baseline of sales in dollars and an initial customer count at the beginning of the project.

Will I be required to match a certain amount of the funds given to me?

No, you will not be required to do so.

How will funds be given?

Recipients will be reimbursed in full following a receipt of a paid invoice and approval by the Tennessee Department of Agriculture.

Can I apply for something I have already purchased?

No, you will only be reimbursed for approved items bought after your application's approval.

When are my progress reports due?

The first progress report is a written report due 12 months after the project is completed. The final report is due by August 31, 2022.

What information should be included in my progress report?

Description of the project intent, summary of the project accomplishments and outcomes, including: dollar amount of increase in sales, increase in markets reached, new products or processes developed, jobs retained or created. In addition, there should be other insights from project execution, including, wherever possible, industry-wide benefits. Side note: The Tennessee Department of Agriculture and University of Tennessee Extension reserves the right to modify reporting requirements during the course of the project.

Submission and Approval

Submittal of the Application
Applications must be received by Tennessee Department of Agriculture, either via email to
kyle.hensley@tn.gov or postal mail at the following address:

Tennessee Department of Agriculture
c/o University of Tennessee Animal Science Department
Attn: Dairy Business Innovation Application
2506 River Drive
Rm. 244 Brehm Animal Science Building
Knoxville, TN 37996

Applications will be reviewed 60 days after the Dairy Business Innovation Initiatives Subaward
Application is announced and monthly thereafter until funds are exhausted.

Confidentiality
Applications submitted for funding and reports shall be subject to disclosure to the U.S. Department of
Agriculture. The Tennessee Department of Agriculture and University of Tennessee Extension reserve
the right to post funded proposals, summary reports and survey findings in media reports and on the
Tennessee Department of Agriculture and the University of Tennessee Extension websites.

Tennessee Department of Agriculture and University of Tennessee Extension along with the subaward
review committee, endeavor to otherwise maintain confidentiality.

Application Review
This is a competitive subaward process, with each application reviewed by a committee and receiving a
rating based on scoring criteria outlined below. The rating score will determine projects to be funded.

Please note that The Tennessee Department of Agriculture and University of Tennessee Extension
reserve the right to:

- Reject any application received;
- Waive or modify minor irregularities in applications received after notification and written
  agreement of applicant;
- Partially fund applications; and
- Withhold final payments, should progress reports not be filed.

Application Scoring Criteria:

Applications will be scored individually by a grant review committee. Applicants may receive a maximum of 100 points, based on the following criteria:

- Grant Application (10 possible points)
    - Is the project described thoroughly and well-organized?
- Goals Alignment (30 possible points)
    - How well does the project focus on at least one of the program focus areas?
    - If there is an existing dairy farm, is the farm permitted?
    - If there is an existing dairy plant, is the plant permitted?
    - Will the numbers of animals milked and volume of milk produced support the project?
    - If milk will be purchased from farms, does the business promote business development that diversifies farmer income through processing and marketing innovation and that encourages the use of regional milk production?
- Activities and Outcomes (30 possible points)
    - Does the project result in improved profitability for the applicant?
    - Does the project result in a new process or product?
    - Does the project support the retention or addition of jobs?
    - Does the project support growth in the dairy supply chain?
- Budget (20 possible points)
    - Is the total amount justifiable to achieve activities and outcomes?
    - Is each budget item necessary to achieve the reported outcome?
    - Are costs reported reasonable?
- Planning (5 possible points)
    - Has the applicant considered critical issues for a dairy business?
- Other Considerations (5 possible points)
    - Is there any industry-wide benefit to the project?

Tennessee Dairy Business Innovation Initiatives

Subaward Application

The following conditions MUST be met to be eligible to apply for funding through the Dairy Business Innovation Initiatives program. Initiatives must meet the following three goals:

- Diversify dairy product markets to reduce risk and develop higher value uses for dairy products;
- Promote business development that diversifies farmer income through processing and marketing innovation; and
- Encourage the use of regional milk production.

Eligible dairy businesses <u>must submit projects[1] that meet all of the above program goals.</u>

1. Does your project diversify dairy product markets to reduce risk and develop higher value uses for dairy products?

      Yes   No

2. Does your project promote business development that diversifies farmer income through processing and marketing innovation?

      Yes   No

3. Does your project encourage the use of regional milk production?

      Yes   No

Subawards will only be made to prospective or current dairy businesses. Reference the definitions and terms for explanations of dairy businesses.

4. Are you a prospective or current United States owned dairy business that develops, produces, markets or distributes dairy products (based on Code of Federal Regulations Title 15:801.2)?

      Yes   No

Important! If the answer to any of the above questions is "No", you are not eligible for this funding and you should not submit an application.

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[1] When the term "project" is used in this application, it refers to what you plan to accomplish or achieve as a result of getting the subaward. For example, your project may include getting training, developing a feasibility study or food safety plan and/or purchasing dairy processing equipment.

5. Briefly describe how you plan to use the funds awarded (for example, attend a cheese making short course, hire consultant to develop food safety plan and/or purchase pasteurizing equipment)

6. Anticipated date to start your project

7. Anticipated date to end your project

    (Funds must be used within 12 months of the date awarded.)

6. Total subaward amount requested (Maximum allowable per application: $25,000)

7. Date application was completed

Goals Alignment
In this section, identify the primary focus of your project and how your project fits within one or more of the three focus areas. This section includes descriptions of your existing farm enterprises, species and numbers milked, milk production, whether you will be purchasing milk, volume of manufactured products and number of market outlets and how this project will affect these items.

10. The funding provided through the Dairy Business Innovation Initiatives program must focus on one or more of the areas below. Please indicate the focus of your project by checking all that apply.

    Modernization, specialization, and/or grazing transition on dairy farms

    Value chain and/or commodity innovation; facility and/or process updates for dairy processors

    Dairy product development, packaging and/or marketing

11. Please explain how your project fits within one or more of the focus areas in Question 10 (for example, "My project to hire a consultant to develop a food safety plan for my cheese plant will focus on value chain and commodity innovation and facility and process updates for dairy processors. Developing a food safety plan will enable me to be on the National Conference on Interstate Milk Shipments (NCIMS) list and this will allow me to ship my cheese across state lines. As a result, I will be able to expand and diversify my product markets."):

12. What commodities are produced on your farm? (Please check all that apply)

    Dairy Cows   Dairy Goats   Dairy Sheep

    Beef Cattle   Meat Goats/Sheep   Hay

    Silage   Grain Crops   Specialty Crops

    Other commodities (please list):

13. Do you currently have a permitted dairy farm in Tennessee?   Yes   No

    a. If Question 13 is "**Yes**," in what name is the dairy farm permitted?

    b. If Question 13 is "**Yes**," what is the dairy farm permit number?

    c. If Question 13 is "**No**," what is the timeframe for building a dairy farm and obtaining a dairy farm permit?

14. Do you currently have a dairy plant in Tennessee? **Dairy plants <u>MUST</u> source milk from permitted dairy farms.**   Yes   No

    a. If Question 14 is "**Yes**," in what name is the dairy plant permitted?

    b. If Question 14 is "**Yes**," what is the dairy plant permit number?

    c. If Question 14 is "**No**," what is your timeframe for building a dairy plant and obtaining a dairy plant permit?

15. What species and numbers are you currently milking? How many do you expect to be milking one year from now? Please complete **Table 1.**

Table 1. Numbers of Each Species of Dairy Animals Milked Now and Expected to Milk One Year From Now		
Species	Number Milked Now	Number Expected to Milk One Year From Now
Cows		
Goats		
Sheep		
Other Species (please list):		

16. What was your total milk production (in pounds) last year?

17. Do you expect your annual milk production to increase, decrease or stay the same over the next year? Please check one of the following:

     Expect milk production to increase.

     Expect milk production to decrease.

     Expect milk production to stay the same.

18. Will you be processing milk from your farm?   Yes   No

    a. If the answer to Question 18 is "**Yes**," please attach a recent (dated within 30 days of this application's submission date) copy of a bulk tank somatic cell count, average bulk tank herd milk production, bulk tank milk fat percentage, bulk tank milk protein percentage and bulk tank preliminary incubation count (PIC) report. Are these reports attached to your application?   Yes   No

Note: If you do not have a recent copy of this report and are unsure where to have a test done, contact one of the key contacts listed on page 1 of the Information About Tennessee Dairy Business Innovation Initiatives Subaward Application.

19. Will you be purchasing milk from sources other than your farm?   Yes   No
    (If you do not have a farm but will be purchasing milk, check "Yes.")

    If the answer to Question 19 is "**Yes**," please answer Questions 19 a., b., and c. below.

    a. What percentage of the milk to be processed will come from sources outside your farm?

        (If you are not a dairy farmer, the answer should be 100%.)

b. Describe the regional area and list the farms where you will be buying milk, including their permit number on file with TDA.

c. Describe how your purchase of milk will promote business development that diversifies farmer income through processing and marketing innovation and how the purchase of milk will encourage the use of regional milk production.

20. Use **Table 2.** to list the dairy products and annual volume you are currently manufacturing and the products and annual volume you expect to be manufacturing one year from now.

Table 2. Type and Volume of Dairy Products Manufactured Now and Expected One Year from Now		
Products	**Annual Volume Currently Manufacturing (include units)**	**Expected Annual Volume Manufacturing in One Year (include units)**
Bottled Milk		
Ice Cream		
Butter		
Cheese		
Yogurt		
Sour Cream		
Half and Half		
Other Products (please list):		

21. Use **Table 3.** to provide the number of retail and wholesale market outlets where your dairy products are currently marketed and the number of these outlets you expect to utilize one year from now.

Table 3. Number of Retail and Wholesale Market Outlets for Dairy Products Now and Expected One Year From Now		
Market Outlets	**Number of Market Outlets Currently Utilized**	**Expected Number of Market Outlets Utilized One Year from Now**
Retail Market Outlets:		
Farmers Markets		
Roadside Stands		
Agritourism Activities		
Online Sales		
Other Retail Market Outlets (please list):		
Wholesale Market Outlets:		
Restaurants		
Grocery Stores		
Specialty Stores		
Distributors		
Copackers		
Export Markets		
Other Wholesale Market Outlets (please list):		

Activities and Outcomes
In this section describe how the project will result in improved profitability and other goals, jobs that will be retained or added and how the project will support growth in the dairy supply chain.

22. Will the project result in improved profitability for your operation?   Yes   No

    a. If Question 22 is "**Yes**," how will your project improve profits and when do you expect improved profitability will be achieved?

23. What goal(s), other than profitability, will be achieved as a result of this project? (for example, improve efficiency in milk production, processing and/or marketing, improve quality of life, add jobs, improve opportunity to transition family members into the operation, improve cash flow, etc.)

24. How many jobs will this project allow you to retain?

25. How many jobs will be added as a result of this project?

26. Will this project support growth in the dairy supply chain?   Yes   No

    a. If Question 26 is "**Yes**," how will the project support growth in the dairy supply chain?

Budget
Describe all elements of your project budget. Formal estimates should be attached when possible. Note that this is a cost reimbursement program and applicants may purchase items only after they have obtained written approval of their project from TDA. The appropriate documentation must be provided as described in the instructions. <u>Before applying for funds to purchase processing equipment, make sure Tennessee Department of Agriculture will approve your purchase as meeting the requirements of the Pasteurized Milk Ordinance (PMO).</u> **Tennessee dairy businesses planning to purchase processing equipment must provide a written statement from Tennessee Department of Agriculture that the equipment is approved as meeting the requirements of the Pasteurized Milk Ordinance (PMO) and attach it to the application.**

27. If you are applying for funds to purchase processing equipment, have you attached a written statement from Tennessee Department of Agriculture that the equipment is approved as meeting the requirements of the Pasteurized Milk Ordinance (PMO)?   Yes   No

28. Use **Table 4.** to list the expenses and amounts for which you seek reimbursement through this subaward program. List only <u>one expense item per space</u> and <u>list the highest priority items first</u>:

Table 4. Project Budget	
Funds Will Be Used For:	**Amount**
Total Subaward Amount Requested (this should equal amount requested in Question 8—Maximum: $25,000)	

29. Will the project result in a new process for your operation?   Yes   No
    a. If Question 29 is "**Yes**," describe the new process:

30. Will the project result in new products for your operation?   Yes   No
    a.   If Question 30 is "**Yes**," list and describe the new products that will be made:

31. Describe the work plan--major steps/activities needed to complete your project:

Planning
Careful planning can help identify the many issues that should be addressed in the early stages of considering a new business idea.

Table 5 provides a list of 16 considerations that should be addressed early on when considering a dairy business idea. One approach to reviewing these considerations is to establish some type of rating system for each, such as a scale of 1 to 10 where a "10" might indicate a strong and confident score, and a "1" would indicate a weakness or a limiting factor. For example, someone that previously started and operated a successful dairy business might rate "Prior dairy processing experience" as a "9," while someone who has never been in such a facility and has no applicable experience might rate it as a "1." Consideration of these 16 items on a scale of 1 to 10 could provide a quick and informal indication of strengths and weaknesses for the idea. It is very important for us to know that you have thought through these considerations.

32. Please complete **Table 5.** to assess considerations that should be addressed before investing in a dairy business idea. Assess each consideration on a scale of "1" to "10" where "10" is very strong and "1" is very weak.

Table 5. Considerations That Should Be Addressed When Considering a Dairy Business Idea	
Consideration	**Rating (1 to 10)**
Knowledge of milk quality and cow handling	
Prior dairy processing experience	
Financial Strength of Operation (working capital, low debt/asset ratio)	
Evidence of demand for the enterprise	
Assessment of my critical strengths and role in the dairy plant business	
Ability to hire and train labor	
Ability to secure appropriate equipment	
Ability to manage construction or acquire appropriate facility	
Management	
Marketing	
Understanding of dairy food regulations	
Understanding of site-specific permits, including zoning	
Industry collaborators	
Understanding of existing, similar dairy operations	
Pre-feasibility and feasibility assessment	
Profit potential	

TN Department of Agriculture

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UTEXTENSION
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A UNIVERSITY OF TENNESSEE – FARM BUREAU PARTNERSHIP

Farm Bureau

Other Considerations

Describe any dairy industry-wide benefit to the project.

33. Is there any dairy industry-wide benefit to the project?   Yes   No

    a.   If Question 33 is "**Yes**," please describe the dairy industry-wide benefit:

34. Full legal name of applicant/business

35. Street address

36. Mailing address (if different from street address)

37. Name of primary contact

38. Email of primary contact

39. Phone number of primary contact

Certification: I certify to the best of my knowledge that the information in this application is true and correct and that I am legally authorized to sign and submit this application on behalf of this dairy business, which is also legally eligible to enter into a subaward agreement. I agree to provide a project report twelve months after the project is completed and a final report by August 31, 2022 that includes information about increases in sales and markets reached, new dairy products or processes developed and jobs maintained or created as a result of the dairy project.

Authorized Signature:

Printed Name of Signer:

Date: